

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 IO-13 ISO-00 SP-02 USIA-15 AID-05 EB-07
NSC-05 CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01
CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06
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TO SECSTATE WASHDC 2479
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E.O. 11652: N/A
TAGS: EALR, EFIN, ETRD, NZ
SUBJECT: NOVEMBER CURRENT ACCOUNT DEFICIT SHOWS EXPECTED
INCREASE OVER OCTOBER.

REF: WELLINGTON 4394

1. THE RESERVE BANK OVERSEAS EXCHANGE TRANSACTIONS
RELEASED DECEMBER 16 (WHICH COVER TRANSACTIONS TAKING
PLACE MOSTLY BEFORE NOVEMBER 29 CURRENCY DEVALUATION,
SEE WELLINGTON 4453) SHOW A \$54 MILLION CURRENT ACCOUNT
DEFICIT FOR NOVEMBER. THIS LARGE DEFICIT WAS
EXPECTED BECAUSE A DROP IN OCTOBER IMPORT PAYMENTS,
MADE THE DEFICIT FOR THAT MONTH ONLY \$10 MILLION
(SEE REFTEL). NOVEMBER EXPORT RECEIPTS EQUALLED OCTOBER
RECEIPTS AT \$247 MILLION BUT IMPORT PAYMENTS JUMPED TPZ
\$271, THE HIGHEST ON RECORD FOR A SINGLE MONTH.
THE INVISIBLES RECEIPTS TOTALLED \$63 MILLION AND PAYMENTS
NEARLY (94 MILLION OF WHICH \$43 MILLION WAS REPAYMENT ON
CREDIT EXTENDED BY A CONSORTIUM OF INTERNATIONAL BANKS.
CAPITAL RECEIPTS DROPPED TO BELOW \$23 MILLION WHILE CAPITAL
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PAYMENTS JUMPED TO OVER 68 MILLION. THERE WAS A NET DECLINE
OF NEARLY \$10 MILLION IN FOREIGN EXCHANGE RESERVES IN
NOVEMBER.

2. THE CURRENT ACCOUNT DEFICIT FOR THE 3 MONTHS
ENDING NOVEMBER WAS \$154 MILLION (VS. \$263 MILLION

FO THE YEAR EARLIER PERIOD). EXPORT RECEIPTS FOR THE 3 MONTHS REACHED \$723 MILLION, UP 45 PERCENT OVER THE SAME PERIOD OF 1975. EXPORT RECEIPTS FO MEAT, WOOL, AND MANUFACTURED EXPORTS WERE THE MAIN CONTRIBUTORS TO THIS INCREASE. IMPORT PAYMENTS FOR THE TRIMESTER ENDING NOVEMBER 1976 WERE \$754 MILLION, UP 8 PERCENT OVER THE ONE YEAR EARLIER PERIOD. THE INVISIBLES DEFICIT ROSE TO \$123 MILLION (VS. \$64 MILLION FOR THE YEAR EARLIER PERIOD). NET CAPITAL INFLOW WAS \$50 MILLION.

3. FOR THE YEAR ENDING NOVEMBER 1976 EXPORT RECIEPTS REACHED OVER \$2.85 BILLION, UP 56 PERCENT OVER THE NOVEMBER 1975 YEAR. RECEIPTS FOR MEAT, (763 MILLION, UP 48 PERCENT OVER A YEAR EARLIER, WOOL, \$590 MILLION UP 90 PERCENT AND MANUFACTURED PRODUCTS \$425 MILLION, UP 68 PERCENT, WERE THE MAIN CONTRIBUTORS TO THE INCREASE BUT THERE WERE SIGNIFICANT INCREASES IN RECIPTS FOR VIRTUALLY ALL EXPORT CATEGORIES. IMPORT PAYMENTS FOR THE YEAR ENDING NOVEMBER 1976 ROSE TO OVER \$2.9 BILLION. (UP 19 PERCENT OVER THE YEAR EARLIER PERIOD).

4. THERE WERE \$111 MILLION IN IMF DRAWINGS IN THE NOVEMBER 1976 YEAR. CAPITAL RECEIPTS TOTALLED \$816 MILLION; \$325 MILLION OVERNMENT BORROWING, \$393 MILLION PRIVATE, AND \$98 MILLION IN OTHER OFFICIAL CAPITAL RECEIPTS. IN THE NOVEMBER 1975 63-4 5#36 595-))3\$ \$1,047 MILLION. CAPITAL PAYMENTS REACHED \$513 MILLION (\$235 MILLION IN DEBT REPAYMENTS, \$174 PRIVATE PAYMENTS, AND \$104 OTHER OFFICIAL PAYMENTS). IN THE NOVEMBER 1975 YEAR THEY WERE \$363 MILLION.
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5. INVISIBLES RECEIPTS REACHED \$626 MILLION AND PAYMENTS \$1,202 MILLION OF WHICH \$967 MILLION WAS PRIVATE.

6. OFFICIAL FOREIGN EXCHANGE RESERVES STOOD AT \$554 MILLION AT THE END OF NOVEMBER.

7. COMMENT: THOUGH IMPORT PAYMENTS CONTINUE THEIR PERSISTENT CLIMB (THOUGH AT A SLOWLY DIMINISHING RATE), AND WILL LIKELY SURPASS THE \$3 BILLION MARK FOR THE 1976 YEAR, THE BIG JUMP IN EXPORT RECEIPTS IN 1976 HAD MADE THE PROBLEM OF CORRECTING THE LARGE IMPORT PAYMENTS EASIER. THERE HAD BEEN LSS POLITICAL PRESSURE TO APPLY MOR DIRECT IMPORT CONTROLS. THE UNEMPLOYMENT RATE HAS REMAINED RELATIVELY LOW AND THEREFORE NOT A MATTER OF GREAT CONCERN. THOUGH THERE HAS BEEN NEED TO CONTINUE A RELATIVELY HIGH RATE OF FOREIGN BORROWING, THERE IS REASON TO HOPE THAT,

UNLESS RECEIPTS FOR NZ'S PRINCIPAL EXPORT DROP OFF
SIGNIFICANTLY (EVEN WITH THE ANTICIPATED INCREASE IN
PETROLEUM IMPORT COSTS, THE NEED FOR ADDITIONAL FOREIGN
BORROWING WILL DIMINISH IN 1977.
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